

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

-----X	
BLACKROCK, INC.,	:
	:
Plaintiff,	: 07 Civ. 3183 (PKL)
	:
- against -	:
	:
SCHRODERS PLC.	: <u>SUPPLEMENTAL</u>
	: <u>AFFIRMATION OF</u>
	: <u>JAY S. BERKE IN</u>
	: <u>OPPOSITION OF</u>
Defendant.	: <u>MOTION TO DISMISS</u>
	:
	:
	:
-----X	

I, Jay S. Berke, under penalty of perjury hereby affirm:

1. I am a member of the firm of Skadden, Arps, Slate, Meagher & Flom LLP, located at Four Times Square, New York, New York 10036. I represent Plaintiff BlackRock, Inc. in the instant action against Defendant Schroders plc. I make this affirmation based on documentary information.

2. According to the Statement of Additional Information included as part of a "Schroders Prospectus," filed with the United States Securities and Exchange Commission ("SEC") on March 5, 2007, describing mutual funds offered by Schroder Capital Funds, Schroder Series Trust or Schroder Global Series Trust (each, a "Trust" and collectively, the "Trusts"), managed by Schroder Investment Management North America Inc. ("SIMNA Inc.") and sub-advised by Schroder Investment Management North America Limited ("SIMNA Ltd."), "Employees of SIMNA Ltd., Schroder Investment Management Limited and Schroder Fund Advisors Inc. with access to portfolio holdings information are provided with training on each of the Trust's policies and procedures regarding disclosure of portfolio holdings information.

Training is provided by the [SIMNA Inc.] compliance department in the applicable jurisdiction, after consultation with Schroders plc's global compliance department located in London." See Excerpts of Schroder Prospectus Statement of Additional Information, filed on March 5, 2007, Attachment 1, at pp. 1, 35.

3. According to the Preliminary Statement of Additional Information included with a Schroder Series Trust Form 485APOS, filed with the SEC on January 11, 2006, a SIMNA employee's "bonus is paid in a combination of cash and Schroders plc stock, as determined by [SIMNA Inc.]. See Excerpts of Schroder Series Trust Form 485APOS Preliminary Statement of Additional Information, January 11, 2006, Attachment 2, at p. 42.

4. Vanguard Variable Insurance Funds ("Vanguard Funds") is a Delaware statutory trust, registered with the SEC under the Investment Company Act of 1940 as an open-end management investment company. See Excerpts of Vanguard Variable Insurance Funds Prospectus, April 30, 2007, Attachment 3, at p. B-1. As of December 31, 2006, SIMNA Inc. managed approximately 49% of the Vanguard Funds' portfolio assets. Id. at p. 41. According to the Statement of Additional Information included with a Vanguard Funds Prospectus, filed with the SEC on April 30, 2007, "For those [SIMNA Inc.] employees receiving significant bonuses, a part may be deferred in the form of Schroders plc stock. This vests over a period of three years and ensures that the interests of the employee are aligned with those of the shareholder, and that these key employees have an increasing incentive to remain with [SIMNA Inc.] as their store of unvested awards grows over time." Id. at p. B-51.

5. The Finance Co. of Pennsylvania is a nondiversified, open-end management investment company. See Excerpts of Finance Co. of Pennsylvania Form N-1A,

Amendment No. 31, Apr. 27, 2007, Attachment 4, at p. 5. SIMNA Inc. provides the day-to-day investment management for a portion of the Finance Co. of Pennsylvania's assets devoted to fixed-income investments. Id. at p. 1. According to a Registration Statement filed with the SEC on April 27, 2007, by The Finance Co. of Pennsylvania, "In some cases, part of a [SIMNA Inc.] employee's bonus may be deferred in the form of Schroders plc stock." Id. at p. 15.

6. In 2004, Schroders plc owned 77.2% of the net asset value of a U.S. entity, Internet Finance Partners LP. See Excerpts of Schroders Annual Report & Accounts 2004, Attachment 5, at p. 67. Schroders plc describes Internet Finance Partners as "a controlled limited partnership." Id. at p. 4.

7. The original chairman of Internet Finance Partners was Sharon Haugh, who, at the same time, was also chairman of SIMNA and a member of the Schroders Group Executive Committee. See Excerpts of www.ifinancepartners.com, "Internet Finance Partners, A New Force in Global Financial Services," Attachment 6; see also Excerpts of www.ifinancepartners.com, Biography of Sharon Haugh, Attachment 7. Nancy Curtain, former Managing Director and Head of Investments for Schroders plc's Global Mutual Fund businesses, was appointed Chief Executive Officer of Internet Finance Partners. See Attachment 6; see also Excerpts of ifinancepartners.com, Biography of Nancy Curtain Managing Partner (London), Attachment 8.

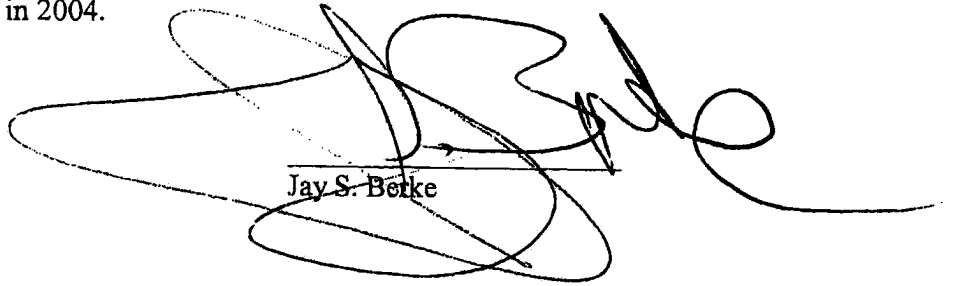
8. In March 2000, Internet Finance Partners invested £3 million in Lava Trading, Inc., headquartered in New York City. See Excerpts of www.ifp.com, "Schroder Finance Partners Announces Exciting Deal," press release dated Mar. 24, 2000, Attachment 9; see also Excerpts of www.lavatrading.com, Lava Trading Inc. Contact, Attachment 10.

9. "Schroders Annual Report & Accounts 2004" reported an extraordinary gain before minority interest of £47.8 million (\$92.3 million) on the disposal of a private equity investment by Internet Finance Partners. See Attachment 5, at p. 4. It appears that refers to the disposal of Lava Trading which was acquired by Citigroup in third quarter 2004. See Excerpts of www.lavatrading.com, "Citigroup Global Corporate and Investment Banking Group to Acquire Lava Trading, Leading Independent Provider of High Performance Trading Solutions," press release dated July 2, 2004, Attachment 11; see also Excerpts of Citigroup Inc., 8-K, Ex-99.1, filed with the SEC on July 15, 2004, Attachment 12. Other investors in Lava Trading included LaBranche & Co., which disclosed a \$24.6 million gain on the sale of its investment in Lava. See Excerpts of LaBranche & Co Inc. 8-K, Exhibit 99.1, filed with the SEC on July 23, 2004, Attachment 13. While the terms of the sale of Lava Trading were not publicly disclosed, Institutional Investor reported that Lava Trading was sold to Citigroup for "somewhere north of \$300 million" and the Financial News reported that Lava was sold for "an estimated \$750 million." See Institutional Investor, "Lava Rocks for Citi," Aug. 10, 2004, Attachment 14; Excerpts of Financial News, "Lava Comes Under Fire After Sale to Citigroup," Aug. 22, 2004, Attachment 15.

10. The sale of New York City-based Lava Trading appears to have had a material impact on the financial results reported in "Schroders Annual Report & Accounts 2004." Schroders plc reported a £47.8 million extraordinary gain on the disposal of the private equity investment by Internet Finance Partners (assumed to be Lava Trading). Subtracting the £15.4 million minority interest held by other investors in Internet Finance Partners, Schroders plc appears to have grossed £32.4 million (approximately \$62.5 million) on its Internet Finance Partners investment. See Attachment 5, at p. 4.

11. For 2004, Schroders plc had total profits attributable to shareholders of £134.0 million. Id. at p. 38. Thus, the Internet Finance Partners sale appears to represent 24.2% of Schroders plc total profits in 2004.

Dated: May 15, 2007



Jay S. Berke

Tab 1

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SCHRODER SERIES TRUST
 497 filed 05/16/07
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 Filing Values Filed under the General Rules & Regulations under the 1933 Act

Filed pursuant to Rule 497(c)
 under the Securities Act of 1933, as amended
 File Registration No.: 33-65632



Schroders

PROSPECTUS

March 1, 2007

Equity Funds

SCHRODER EMERGING MARKET EQUITY FUND
 SCHRODER INTERNATIONAL ALPHA FUND
 SCHRODER INTERNATIONAL DIVERSIFIED VALUE FUND
 SCHRODER NORTH AMERICAN EQUITY FUND
 SCHRODER U.S. OPPORTUNITIES FUND
 SCHRODER U.S. SMALL AND MID CAP OPPORTUNITIES FUND

Taxable Fixed Income Funds

SCHRODER ENHANCED INCOME FUND
 SCHRODER STRATEGIC BOND FUND
 SCHRODER TOTAL RETURN FIXED INCOME FUND

Tax-Exempt Fixed Income Funds

SCHRODER MUNICIPAL BOND FUND
 SCHRODER SHORT-TERM MUNICIPAL BOND FUND

Investor Shares

This Prospectus describes eleven mutual funds (each, a "Fund" and collectively, the "Funds") offered

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STATEMENT OF ADDITIONAL INFORMATION

TRUST HISTORIES

This Statement of Additional Information ("SAI") describes eleven mutual funds (each, a "Fund" and collectively, the "Funds") offered by Schroder Capital Funds (Delaware), Schroder Series Trust or Schroder Global Series Trust (each, a "Trust" and collectively, the "Trusts").

Schroder Capital Funds (Delaware) was organized as a Maryland corporation on July 30, 1969; reorganized on February 29, 1988 as Schroder Capital Funds, Inc.; and reorganized as a Delaware business trust organized under the laws of the State of Delaware on January 9, 1996. Schroder Capital Funds (Delaware) is governed by a Trust Instrument (the "Trust Instrument") and under Delaware law. Schroder Capital Funds (Delaware) currently comprises two publicly offered series, Schroder International Alpha Fund and Schroder U.S. Opportunities Fund.

Schroder Series Trust is a Massachusetts business trust organized under the laws of The Commonwealth of Massachusetts on May 6, 1993. The Trust's Agreement and Declaration of Trust (as amended, the "Schroder

Series Trust Declaration of Trust"), which is governed by Massachusetts law, is on file with the Secretary of State of the Commonwealth of Massachusetts. Schroder Series Trust currently comprises eight publicly offered series, Schroder Emerging Market Equity Fund, Schroder International Diversified Value Fund, Schroder U.S. Small and Mid Cap Opportunities Fund, Schroder Enhanced Income Fund, Schroder Strategic Bond Fund, Schroder Total Return Fixed Income Fund, Schroder Municipal Bond Fund, and Schroder Short-Term Municipal Bond Fund.

Schroder Global Series Trust is a Massachusetts business trust organized under the laws of The Commonwealth of Massachusetts on May 27, 2003. The Trust's Amended and Restated Agreement and Declaration of Trust (as amended, the "Schroder Global Series Trust Declaration of Trust" and, collectively with the Schroder Series Trust Declaration of Trust, the "Declarations of Trust"), which is governed by Massachusetts law, is on file with the Secretary of State of the Commonwealth of Massachusetts. Schroder North American Equity Fund is the only series of shares currently comprising the Trust.

Schroder Investment Management North America Inc. ("Schroders") serves as investment manager to the Funds. Schroder Investment Management North America Limited ("SIMNA Ltd.") serves as investment sub-adviser to Schroder Emerging Market Equity Fund, Schroder International Alpha Fund, Schroder International Diversified Value Fund, Schroder North American Equity Fund, and Schroder Strategic Bond Fund.

FUND CLASSIFICATION

Each Fund is an open-end management investment company registered under the Investment Company Act of 1940, as amended (the "Investment Company Act" or "1940 Act"). Each Fund other than Schroder Strategic Bond Fund is a "diversified" investment company under the Investment Company Act. For a diversified investment company, this means that with respect to 75% of the Fund's total assets (i) that Fund may not invest in securities of any issuer if, immediately after such investment, more than 5% of the total assets of that Fund (taken at current value) would be invested in the securities of that issuer (this limitation does not apply to investments in U.S. Government securities or securities of other investment companies) or (ii) that Fund may not invest in a security if, as a result of such investment, it would hold more than 10% (taken at the time of such investment) of the outstanding voting securities of any one issuer (this limitation does not apply to investments in U.S. Government securities or securities of other investment companies). No diversified fund is subject to this limitation with respect to the remaining 25% of its total assets. Schroder Strategic Bond Fund is a "non-diversified" investment company under the Investment Company Act, and therefore, may invest its assets in a more limited number of issuers than may diversified investment companies. To the extent a Fund invests a significant portion of its assets in the securities of a particular issuer, it will be subject to an increased risk of loss if the market value of the issuer's securities declines.

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These policies may not be changed without the vote of a majority of the outstanding voting securities of the relevant Fund.

CAPITALIZATION AND SHARE CLASSES

Each Trust has an unlimited number of shares of beneficial interest that may, without shareholder approval, be divided into an unlimited number of series of such shares, which, in turn, may be divided into an unlimited number of classes of such shares. The shares of each of the Funds described in this SAI are currently divided into two classes, Investor Shares and Advisor Shares. Each class of shares is offered through a separate Prospectus. Unlike Investor Shares, Advisor Shares are currently subject to distribution fees, so that the performance of a Fund's Investor Shares will normally be more favorable than that of a Fund's Advisor Shares over the same time period. Generally, expenses and liabilities particular to a class of a Fund, such as distribution fees applicable only to Advisor Shares, are allocated only to that class. Expenses and liabilities not related to a particular class are allocated in relation to the respective net asset value of each class, or on such other basis as the Trustees may in their discretion consider fair and equitable to each class. A Fund may suspend the sale of

party to a confidentiality agreement. Any inappropriate use of such information by the recipient could be harmful to a Fund and its shareholders. The Funds have no ongoing arrangements to make available nonpublic portfolio holdings information, except as described in the procedures below. Nonpublic portfolio holdings information is disclosed by a Fund's portfolio management team, except in cases where the information is disclosed by other personnel or agents of a Fund, as described below. The following list describes the circumstances in which the Funds disclose their portfolio holdings to select third parties:

Portfolio Managers. Portfolio managers shall have full daily access to portfolio holdings for the Funds for which they have direct management responsibility. Under Schroders' code of ethics, portfolio managers are prohibited from disclosing nonpublic information to third parties. Portfolio managers may release and discuss specific portfolio holdings with various broker-dealers, on an as-needed basis, for purposes of analyzing the impact of existing and future market changes on the prices, availability or demand, and liquidity of such securities, as well as for the purpose of assisting portfolio managers in the trading of such securities.

Schroders. In its capacity as adviser to the Funds, certain Schroders personnel and personnel of its affiliates, SIMNA Ltd., Schroder Investment Management Limited and Schroder Fund Advisors Inc. that deal directly with the processing, settlement, review, control, auditing, reporting, or valuation of portfolio trades will have full daily access to Fund portfolio holdings. Employees of SIMNA Ltd., Schroder Investment Management Limited and Schroder Fund Advisors Inc. with access to portfolio holdings information are provided with training on each of the Trust's policies and procedures regarding disclosure of portfolio holdings information. Training is provided by the Schroders compliance department in the applicable jurisdiction, after consultation with Schroders plc's global compliance department located in London. Each Trust's Chief Compliance Officer reports to the Trustees regarding compliance by such affiliates.

External Servicing Agents. Appropriate personnel employed by entities that assist in the review and/or processing of Fund portfolio transactions, which include fund accounting agents, pricing services, and the custodian have daily access to all Fund portfolio holdings. Portfolio holdings information is provided on an ongoing basis to each of the Fund's administrator or sub-administrator, as applicable. The administrator or sub-administrator, as applicable, of each of the Funds except Schroder North American Equity Fund, is SEI Investments Global Funds Services ("SEI"). The administrator of Schroder North American Equity Fund is Schroder Fund Advisors Inc. PricewaterhouseCoopers LLP, the Funds' independent registered public accounting firm, receives portfolio holdings information yearly in connection with the Funds' audit. Schroders utilizes the services of Institutional Shareholder Services ("ISS") to assist with proxy voting. ISS receives full Fund portfolio holdings on a monthly basis for the funds for which it provides services.

Ranking/Rating Agencies. Morningstar, Lipper, Thomson and Bloomberg receive the Funds' full portfolio holdings no earlier than 60 calendar days following the end of each calendar quarter.

Certain approved recipients of portfolio holdings information are listed in the policies and procedures with respect to the disclosure of the Funds' portfolio holdings approved by the Board of Trustees of each Trust. Any addition to the list of approved recipients of portfolio holdings information included in such procedures (whether on an ongoing or a one-time basis) requires approval by the President and Chief Compliance Officer of the relevant Fund based on a review of: (i) the type of Fund involved; (ii) the purpose for receiving the holdings information; (iii) the intended use of the information; (iv) the frequency of the information to be provided; (v) the length of the period, if any, between the date of the information and the date on which the information will be disclosed; (vi) the proposed recipient's relationship to the Funds; (vii) the ability of Schroders to monitor that such information will be used by the proposed recipient in accordance with the stated purpose for the disclosure; (viii) whether a confidentiality agreement will be in place with such proposed recipient; and (ix) whether any potential conflicts exist regarding such disclosure between the interests of the Fund shareholders, on the one hand, and those of the Fund's investment adviser, principal underwriter, or any affiliated person of the Fund.

In general, the Schroder Funds' policies and procedures provide that disclosure by Schroders of information about the holdings of client accounts other than the Funds' accounts is governed by the policies relating to protection of client information pursuant to Regulation S-P. Details about the holdings of any portfolio other than the Funds, however, may provide holdings information that is substantially identical to holdings of the Funds that have not yet been publicly released. To the extent that disclosure of non-Fund portfolios to persons other than those enumerated in the Schroder Funds policies and procedures would provide information substantially identical to the Funds' portfolios, that disclosure is subject to the Schroder Funds policies and procedures.

Nothing in the Schroder Funds policies and procedures prohibits any investment group from providing to a research service provider a coverage list that identifies securities that the investment group follows for research purposes provided that: (i) the list of securities does not consist exclusively of the current portfolio holdings of any Fund; and (ii) no information about actual holdings by any account is included.

The Board of Trustees of each Trust reviews and reapproves the policies and procedures related to portfolio disclosure, including the list of approved recipients, as often as deemed appropriate, but not less than annually, and may make any changes it deems appropriate.

MANAGEMENT OF THE TRUSTS

The Trustees of each of the Trusts are responsible for the general oversight of each of the Trust's business. Subject to such policies as the Trustees may determine, Schroders furnishes a continuing investment program for the Funds and makes investment decisions on their behalf, except that SIMNA Ltd., an affiliate of Schroders, serves as sub-adviser responsible for portfolio management for Schroder Emerging Market Equity Fund, Schroder International Alpha Fund, Schroder International Diversified Value Fund, Schroder North American Equity Fund, and Schroder Strategic Bond Fund. Subject to the control of the Trustees, Schroders also manages the Funds' other affairs and business.

The names, addresses and ages of the Trustees and executive officers of the Trusts, together with information as to their principal business occupations during the past five years, are set forth in the following tables. Unless otherwise indicated, each Trustee and executive officer shall hold the indicated positions until his or her resignation or removal.

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Disinterested Trustees

The following table sets forth certain information concerning Trustees of the Trusts who are not "interested persons" (as defined in the Investment Company Act) of the Trusts (each, a "Disinterested Trustee").

Name, Age and Address of Disinterested Trustee	Position(s) Held with Trusts	Term of Office and Length of Time Served	Number of Portfolios in Fund Complex		Other Directorships Outside of Schroders
			Overseen by Trustee	Fund Complex	

Tab 2

SCHRODER SERIES TRUST

875 THIRD AVENUE
NEW YORK, NY 10022
212. 641.3800

485APOS

FORM 485APOS
Filed on 01/11/2006
File Number 033-65632



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As filed with the Securities and Exchange Commission on January 11, 2006
Investment Company Act File No. 811-7840; Securities Act File No. 33-65632

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM N-1A

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933 [X]

POST-EFFECTIVE AMENDMENT No. 26 [X]

and/or

REGISTRATION STATEMENT UNDER INVESTMENT COMPANY ACT OF 1940 [X]

Amendment No. 28 [X]

SCHRODER SERIES TRUST

875 Third Avenue, 22nd Floor, New York, New York 10022

(212) 641-3800

Carin F. Muhlbaum, Esq.

Schroder Investment Management North America Inc.

875 Third Avenue, 22nd Floor,

New York, New York 10022

Copies to:

Timothy W. Diggins, Esq.

Ropes Gray LLP

One International Place

Boston, Massachusetts 02110-2624

It is proposed that this filing will become effective (check appropriate box):

☐ Immediately upon filing pursuant ☐ On (date) pursuant to paragraph (b)
to paragraph (b)

☐ 60 days after filing pursuant to ☐ On (date) pursuant to paragraph
paragraph (a)(1) (a)(1)

☐ 75 days after filing pursuant to ☒ On April 1, 2006 pursuant to
paragraph (a)(2) paragraph (a)(2) of Rule 485.

If appropriate, check the following box:

☐ This post-effective amendment designates a new effective date for a
previously filed post-effective amendment.

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO PUBLIC As soon as
practicable after this registration statement becomes effective.

This post-effective amendment is being filed to include prospectuses and a
statement of additional information relating to the Schroder Global Equity Yield
Fund, Schroder Global Opportunities Fund, Schroder Emerging Market Equity Fund,
Schroder Strategic Bond Fund, and Schroder U.S. Small and Mid Cap Opportunities
Fund (the "Funds"). Except as otherwise specifically indicated, the amendment
does not delete or supersede any prospectus or statement of additional
information in any prior post-effective amendment, except to the extent it
relates to the Funds.

The information in this Statement of Additional Information is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This Statement of Additional Information is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION

PRELIMINARY STATEMENT OF ADDITIONAL INFORMATION

DATED JANUARY 11, 2006

SCHRODER SERIES TRUST

Schroder Global Equity Yield Fund

Schroder Global Opportunities Fund

Schroder Emerging Market Equity Fund

Schroder Strategic Bond Fund

Schroder U.S. Small and Mid Cap Opportunities Fund

FORM N-1A

PART B

STATEMENT OF ADDITIONAL INFORMATION

APRIL [___], 2006

This Statement of Additional Information ("SAI") is not a prospectus and is only authorized for distribution when accompanied or preceded by a Prospectus for Schroder Global Equity Yield Fund, Schroder Global Opportunities Fund, Schroder Emerging Market Equity Fund, Schroder Strategic Bond Fund, and Schroder U.S. Small and Mid Cap Opportunities Fund (each, a "Fund," and collectively, the "Funds"), as amended or supplemented from time to time. This SAI relates to the Funds' Investor Shares and Advisor Shares. Investor Shares and Advisor Shares of the Funds are offered through separate Prospectuses each dated April [___], 2006 (each, a "Prospectus," and together, the "Prospectuses"), as amended or supplemented from time to time. This SAI contains information which may be useful to investors but which is not included in the Prospectuses. Investors may obtain free copies of the Prospectuses by calling the Trust at 800-464-3108. From outside the United States, please call (617) 483-5000 and ask to speak with a Schroder Mutual Funds representative. Each Fund is a series of Schroder Series Trust.

NEITHER THE U.S. SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS STATEMENT OF ADDITIONAL INFORMATION IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

SCHRODER SERIES TRUST
 SCHRODER GLOBAL EQUITY YIELD FUND
 SCHRODER GLOBAL OPPORTUNITIES FUND
 SCHRODER EMERGING MARKET EQUITY FUND
 SCHRODER STRATEGIC BOND FUND
 SCHRODER U.S. SMALL AND MID CAP OPPORTUNITIES FUND
 STATEMENT OF ADDITIONAL INFORMATION
 TRUST HISTORY

Schroder Series Trust (the "Trust") is a Massachusetts business trust organized under the laws of The Commonwealth of Massachusetts on May 6, 1993. The Trust's Agreement and Declaration of Trust (as amended, the "Declaration of Trust"), which is governed by Massachusetts law, is on file with the Secretary of State of The Commonwealth of Massachusetts. Schroder Global Equity Yield Fund, Schroder Global Opportunities Fund, Schroder Emerging Market Equity Fund, Schroder Strategic Bond Fund, and Schroder U.S. Small and Mid Cap Opportunities Fund (each, a "Fund," and collectively, the "Funds") are series of the Trust. The Trust currently also comprises four other series, Schroder Enhanced Income Fund, Schroder U.S. Core Fixed Income Fund, Schroder Municipal Bond Fund, and Schroder Short-Term Municipal Bond Fund, which are offered through separate prospectuses and statements of additional information. Schroder Investment Management North America Inc. ("Schroders") serves as investment manager to the Funds. Schroder Investment Management North America Limited ("SIMNA Ltd.") serves as investment sub-advisor to Schroder Global Equity Yield Fund, Schroder Global Opportunities Fund, Schroder Emerging Market Equity Fund, and Schroder Strategic Bond Fund.

FUND CLASSIFICATION

Each Fund is an open-end management investment company registered under the Investment Company Act of 1940, as amended (the "Investment Company Act"). Each Fund other than Schroder Strategic Bond Fund is a "diversified" investment company under the Investment Company Act. For a diversified investment company, this means that with respect to 75% of a Fund's total assets (i) that Fund may not invest in securities of any issuer if, immediately after such investment, more than 5% of the total assets of that Fund (taken at current value) would be invested in the securities of that issuer (this limitation does not apply to investments in U.S. government securities or securities of other investment companies) or (ii) that Fund may not invest in a security if, as a result of such investment, it would hold more than 10% (taken at the time of such investment) of the outstanding voting securities of any one issuer (this limitation does not apply to investments in U.S. government securities or securities of other investment companies). No diversified Fund is subject to this limitation with respect to the remaining 25% of its total assets. Schroder Strategic Bond Fund is a "non-diversified" investment company under the Investment Company Act, and therefore, may invest its assets in a more limited number of issuers than may diversified investment companies. To the extent a Fund invests a significant portion of its assets in the securities of a particular issuer, it will be subject to an increased risk of loss if the market value of the issuer's securities declines.

CAPITALIZATION AND SHARE CLASSES

The Trust has an unlimited number of shares of beneficial interest that may, without shareholder approval, be divided into an unlimited number of series of such shares, which, in turn, may be divided into an unlimited number of classes of such shares. The shares of each of the Funds described in this Statement of Additional Information ("SAI") are currently divided into two classes, Investor Shares and Advisor Shares. Each class of shares is offered through a separate Prospectus. Unlike Investor Shares, Advisor Shares are currently subject to distribution fees, so that the performance of a Fund's Investor Shares will normally be more favorable than that of the Fund's Advisor Shares over the same time period. Generally, expenses and liabilities particular to a class of a Fund, such as distribution fees applicable only to Advisor Shares, are allocated only to that class.

Compensation. The Funds' portfolio managers are paid in a combination of base salary and annual discretionary bonus, as well as the standard retirement, health and welfare benefits available to all Schroders employees. Base salary of Schroders employees is determined by reference to the level of responsibility inherent in the role and the experience of the incumbent, is benchmarked annually against market data to ensure competitive salaries, and is paid in cash. The portfolio managers' base salary is fixed and is subject to an annual review and will increase if market movements make this necessary or if there has been an increase in responsibilities.

Each portfolio manager's bonus is based in part on performance.

Discretionary bonuses for portfolio managers are determined by a number of factors. At a macro level the total amount available to spend is a function of the compensation to revenue ratio achieved by Schroders globally. Schroders then assesses the performance of the division and of a management team to determine the share of the aggregate bonus pool that is spent in each area. This focus on "team" maintains consistency and minimizes internal competition that may be detrimental to the interests of Schroders' clients. For individual portfolio managers, Schroders assesses the performance of their funds relative to competitors and to the relevant benchmark over one and three year periods, the level of funds under management and the level of performance fees generated. For the purpose of determining [] bonus, the relevant benchmark for performance comparison is Russell 2500. For the purpose of determining [] bonus, the relevant benchmark for performance comparison is MSCI World Index. For the purpose of determining [] bonus, the relevant benchmark for performance comparison is MSCI Emerging Markets Index (Net div). For the purpose of determining [] bonus, the relevant benchmark for performance comparison is Lehman Aggregate Index. Performance is evaluated for each quarter, year and since inception of the Fund. [] compensation for other accounts she manages is not based upon account performance.

Schroders also reviews "softer" factors such as leadership, innovation, contribution to other parts of the business and adherence to corporate values of excellence, integrity, teamwork, passion and innovation. An employee's bonus is paid in a combination of cash and Schroders plc stock, as determined by Schroders. This stock vests over a period of three years and ensures that the interests of the employee are aligned with those of shareholders of Schroders.

Ownership of Securities. As of [], 2006, [], [], [], [], and [] did not own any shares of the Funds. As the Funds are oriented towards U.S. investors, it may not be tax efficient for portfolio managers of the Funds located in the United Kingdom to invest in the Funds.

PERFORMANCE INFORMATION OF CERTAIN OTHER ACCOUNTS MANAGED BY SCHRODERS

The following table sets forth historical performance information for the institutional investment accounts managed by Schroders that have investment objectives, policies, strategies, and investment restrictions that are substantially similar to those of the Schroder Strategic Bond Fund (the "Schroder Strategic Bond Composite") and Schroder U.S. Small and Mid Cap Opportunities Fund (the "Schroder U.S. Small and Mid Cap Opportunities Composite," and, collectively, the "Schroders Composites"), respectively. The Schroder U.S. Small and Mid Cap Opportunities Composite includes both a private investment account and a pooled investment vehicle managed by Schroders that is not registered under the Investment Company Act and is offered principally outside the United States ("unregistered fund"). The Schroder Strategic Bond Composite includes an unregistered fund.

Tab 3

VANGUARD VARIABLE INSURANCE FUNDS

PO BOX 2600
V26
VALLEY FORGE, PA 19482
610. 669.6295

497

VANGUARD VARIABLE INSURANCE FUND 497 04302007
Filed on 04/30/2007
File Number 033-32216



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 SECURITIES AND EXCHANGE COMMISSION
 WASHINGTON, D.C. 20549
 FORM N-1A
 REGISTRATION STATEMENT (NO. 33-32216) UNDER
 THE SECURITIES ACT OF 1933
 PRE-EFFECTIVE AMENDMENT NO.
 POST-EFFECTIVE AMENDMENT NO. 45
 AND
 REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY
 ACT OF 1940
 AMENDMENT NO. 48
 VANGUARD VARIABLE INSURANCE FUNDS
 (EXACT NAME OF REGISTRANT AS SPECIFIED IN DECLARATION OF TRUST)
 P.O. BOX 2600, VALLEY FORGE, PA 19482
 (ADDRESS OF PRINCIPAL EXECUTIVE OFFICE)
 REGISTRANT'S TELEPHONE NUMBER (610) 669-1000
 HEIDI STAM, ESQUIRE
 P.O. BOX 876
 VALLEY FORGE, PA 19482
 IT IS PROPOSED THAT THIS FILING BECOME EFFECTIVE
 ON APRIL 30, 2007, PURSUANT TO PARAGRAPH (B) OF RULE 485.

<PAGE>
 VANGUARD/(R)/ VARIABLE INSURANCE FUND
 > Prospectus
 April 30, 2007

[SHIP LOGO VANGUARD /(R)/]

MONEY MARKET PORTFOLIO
 SHORT-TERM
 INVESTMENT-GRADE PORTFOLIO
 TOTAL BOND MARKET INDEX PORTFOLIO
 HIGH YIELD BOND PORTFOLIO
 BALANCED PORTFOLIO
 EQUITY INCOME PORTFOLIO
 DIVERSIFIED VALUE PORTFOLIO
 TOTAL STOCK MARKET INDEX PORTFOLIO
 EQUITY INDEX PORTFOLIO
 MID-CAP INDEX PORTFOLIO
 GROWTH PORTFOLIO
 CAPITAL GROWTH PORTFOLIO
 SMALL COMPANY GROWTH PORTFOLIO
 INTERNATIONAL PORTFOLIO
 REIT INDEX PORTFOLIO

This prospectus contains financial data for the Portfolios through the fiscal year ended December 31, 2006.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

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WHY READING THIS PROSPECTUS IS IMPORTANT

This prospectus explains the investment objective, policies, strategies, and risks associated with each Portfolio of Vanguard Variable Insurance Fund. To highlight terms and concepts important to mutual fund investors, we have provided Plain Talk/(R)/ explanations along the way. Reading the prospectus will help you decide which portfolio, if any, is the right investment for you. We suggest that you keep this prospectus for future reference.

/(1)/[MSCI LOGO]

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AN INTRODUCTION TO VANGUARD VARIABLE INSURANCE FUND

This prospectus explains the investment objectives, policies, strategies, and risks associated with the 15 Portfolios that make up Vanguard Variable Insurance Fund (the Fund). The Portfolios are mutual funds used solely as investment options for annuity or life insurance contracts offered by insurance companies. This means that you cannot purchase shares of the Portfolios directly, but only through a contract offered by an insurance company. Following this introductory section you'll find Portfolio Profiles. The Profiles summarize important facts about each Portfolio, including information about its

investment objective, policies, strategies, risks, past performance, and operating costs.

Each Portfolio of Vanguard Variable Insurance Fund is separate from any other Vanguard mutual fund, even when a Portfolio and a fund have the same investment objective and advisor. Each Portfolio's investment performance will differ from the performance of any other Vanguard fund because of differences in the securities held and because of administrative and insurance costs associated with the annuity or life insurance program through which you invest. More detailed information about the Portfolios' investment policies and strategies is provided after the Profiles, along with information about share pricing and Financial Highlights for each Portfolio.

A Note on Fees

As an investor in any of the Portfolios, you would incur various operating costs, including management, advisory, and distribution expenses. Detailed information about the costs of operating the Portfolios appears in the Portfolio Profiles following this introduction. You also would incur fees associated with the annuity or life insurance program through which you invest. Detailed information about the annuity or life insurance program fees is presented in the "Fee Table" section of the accompanying prospectus for the annuity or insurance program through which Portfolio shares are offered.

PLAIN TALK ABOUT COSTS OF INVESTING

Costs are an important consideration in choosing a mutual fund. That's because you, as a contract owner, pay the costs of operating a portfolio, plus any transaction costs incurred when the portfolio buys or sells securities. These costs can erode a substantial portion of the gross income or the capital appreciation a portfolio achieves. Even seemingly small differences in expenses can, over time, have a dramatic effect on a portfolio's performance.

PORTFOLIO PROFILE--MONEY MARKET PORTFOLIO

The following profile summarizes key features of Vanguard Variable Insurance Fund-Money Market Portfolio.

INVESTMENT OBJECTIVE

The Money Market Portfolio seeks to provide current income while maintaining liquidity and a stable share price of \$1.

PRIMARY INVESTMENT POLICIES

The Portfolio invests primarily in high-quality, short-term money market instruments, including certificates of deposit, banker's acceptances, commercial paper, and other money market securities. To be considered high-quality, a security generally must be rated in one of the two highest credit-quality categories for short-term securities by at least two nationally recognized rating services (or by one, if only one rating service has rated the security). If unrated, the security must be determined by Vanguard to be of quality equivalent to securities in the two highest credit-quality categories. The Portfolio invests more than 25% of its assets in securities issued by companies in the financial services industry. The Portfolio maintains a dollar-weighted average maturity of 90 days or less.

PRIMARY RISKS

The Portfolio is designed for investors with a low tolerance for risk; however, the Portfolio's performance could be hurt by:

- . Income risk, which is the chance that the Portfolio's income will decline because of falling interest rates. Because the Portfolio's income is based on short-term interest rates--which can fluctuate significantly over short periods--income risk is expected to be high.
- . Manager risk, which is the chance that poor security selection will cause the Portfolio to underperform relevant benchmarks or other funds with a similar investment objective.

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- . Credit risk, which is the chance that the issuer of a security will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that security to decline. Credit risk should be very low for the Portfolio because it invests

selects and maintains a portfolio of common stocks for the Portfolio. These advisors employ active investment management methods, which means that securities are bought and sold according to the advisors' evaluations about companies, the prices of the securities, and the advisors' assessments of the stock market and the economy in general. Each advisor uses different processes to select securities for its portion of the Portfolio's assets; however, each is committed to buying stocks of small companies that, in the advisor's opinion, have strong growth potential. The Portfolio trades stocks aggressively, which may result in higher transaction costs.

GRANAHAN INVESTMENT MANAGEMENT, INC. (Granahan), which managed approximately 66% of the Portfolio's assets as of December 31, 2006, groups securities into three categories as part of its selection process. The first category, "core growth," emphasizes companies that have a well-known or established product or service and, as a result, have a proven record of growth and a strong market position. The second category, "pioneers," is made up of companies that offer unique products or services, technologies that may lead to new products, or expansion into new markets. Granahan judges "pioneer" stocks based on their estimated growth potential compared with market value. The third category, "special situation," includes companies that lack a record of strong growth but that, in Granahan's view, are both undervalued in the market and likely to grow in the next few years. "Core growth" stocks generally make up 35% to 70% of the advisor's share of Portfolio assets, with the other two categories generally at 10% to 35% each.

GRANTHAM, MAYO, VAN OTTERLOO & CO. LLC (GMO), which managed the balance of the Portfolio's assets as of December 31, 2006, uses computerized models to select the most attractive small-cap growth stocks according to several criteria, including earnings revision, which selects companies that are likely to experience positive earnings surprises; intrinsic value, which seeks high-quality growth companies that are selling below their intrinsic value; and finally, recent price trends. This quantitative investment method is expected to result in a portfolio that is broadly diversified among small-cap stocks. GMO seeks to maintain reasonable liquidity by limiting positions in individual issues.

THE VANGUARD GROUP, INC. (Vanguard), manages a small portion of the Portfolio's assets to facilitate cash flows to and from the Portfolio's advisors. Vanguard may invest the Portfolio's cash flows in stock index futures and/or exchange-traded funds to manage liquidity needs while ensuring that the Portfolio remains fully invested. For more details, see Additional Information: Other Investment Policies and Risks.

INTERNATIONAL PORTFOLIO

The International Portfolio invests in common stocks of non-U.S. companies considered to have above-average potential for growth. The Portfolio uses multiple investment advisors. Each advisor independently selects and maintains a portfolio of common stocks for the Portfolio. These advisors employ active investment management methods, which means that securities are bought and sold according to the advisors' evaluations about companies, the prices of the securities, and the advisors' assessments of the stock market and the economy in general. Each advisor will sell a security when it is no longer as attractive as an alternative investment.

SCHRODER INVESTMENT MANAGEMENT NORTH AMERICA INC. (Schroders), which managed approximately 49% of the Portfolio's assets as of December 31, 2006, believes that the two most important factors in managing the investments of an international stock fund are country selection and stock selection. Schroders continually evaluates financial markets around the world and identifies those countries with, in the advisor's opinion, the most favorable business climates. Once an attractive market has been identified, Schroders analyzes the companies there and ranks them according to their potential for price appreciation based on measures relating to earnings, returns on capital, and cash flows. Schroders generally considers meetings with management an important part of the security selection process. The companies chosen by Schroders reflect a wide variety of countries and industries.

The core (normally 60% to 70%) of the assets in the Schroders portion of the Portfolio is invested in stocks of companies that possess what Schroders believes are sustainable competitive advantages and strong prospects for growth.

These core holdings may include small- and mid-cap stocks along with large-cap stocks. The remainder of the Schroders assets consist
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of "non-core" stocks selected to increase the Portfolio's presence in industries or markets in which the near-term outlook is particularly favorable. These non-core holdings typically are large-cap stocks that have historically moved in accordance with their industry or local markets.

BAILLIE GIFFORD OVERSEAS LTD. (Baillie Gifford), which managed about 49% of the Portfolio's assets as of December 31, 2006, follows an investment approach based on making long-term investments in well-researched and well-managed businesses that the advisor believes enjoy sustainable, competitive advantages in their marketplaces. Baillie Gifford uses a fundamental approach to identify quality growth companies. The advisor considers sustainable earnings and free cash growth to be critical factors in evaluating a company's prospects. Companies are screened first for quality and then for value. Baillie Gifford looks for companies with attractive industry backgrounds, strong competitive positions within those industries, high-quality earnings, and a positive approach toward shareholders. The main fundamental factors considered when evaluating companies in this bottom-up analysis are earnings growth, cash-flow growth, profitability, debt and interest coverage, and valuation.

To determine how to allocate its portion of the Portfolio's assets geographically, Baillie Gifford constantly evaluates economic, market, and political trends worldwide. Among the factors considered are currency exchange rates, growth potential of economies and securities markets, technological developments, and political and social conditions.

The advisors' investment approaches result in a Portfolio whose overall characteristics will often differ substantially from those of broad international stock indexes, such as the Morgan Stanley Capital International Europe, Australasia, Far East (MSCI EAFE) Index. As a result of these different characteristics, the Portfolio's performance is often substantially different from the performance of broad international stock indexes.

Because it invests mainly in international stocks, the Portfolio is subject to:
[FLAG]

Currency risk, which is the chance that the value of a foreign investment, measured in U.S. dollars, will decrease because of unfavorable changes in currency exchange rates.

Conversely, when the U.S. dollar falls in value versus other currencies, returns from international stocks are enhanced because a given sum in foreign currency translates into more U.S. dollars.

The Portfolio is also subject to:

[FLAG]

Country risk/regional risk, which is the chance that domestic events--such as political upheaval, financial troubles, or natural disasters--will weaken a country's securities markets. Because the Portfolio may invest a large portion of its assets in securities of companies located in any one country or region, its performance may be hurt disproportionately by the poor performance of its investments in that area. Country/regional risk is especially high in emerging markets.

International investing involves other risks and considerations, including: differences in accounting, auditing, and financial reporting standards and practices; generally higher costs for trading securities; foreign withholding taxes payable on the Portfolio's securities, which can reduce dividend income available to distribute to shareholders; and adverse changes in regulatory or legal climates.

Returns of international stocks can be as volatile as--or more volatile than--returns of U.S. stocks. To illustrate the volatility of international stock market returns for the U.S. dollar-based investor, the following table shows the best, worst, and average annual total returns for international stocks over various periods as measured by the MSCI EAFE Index, a widely used barometer of international stock market activity. (Total returns consist of dividend income plus change in market price.) Note that the returns shown in the table do not include the costs of buying and selling stocks or other expenses that a real-world investment portfolio would incur. The returns, however, are adjusted

Washington, DC 20549-0102.

Fund's Investment Company Act file number: 811-5962

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PART B
VANGUARD/(R)/ VARIABLE INSURANCE FUNDS
(THE FUND)
STATEMENT OF ADDITIONAL INFORMATION

APRIL 30, 2007

This Statement of Additional Information is not a prospectus but should be read in conjunction with the Fund's current Prospectus dated April 30, 2007. To obtain, without charge, the Prospectus or the most recent Annual Report to Shareholders, which contains the Fund's financial statements as hereby incorporated by reference, please write to the Fund or contact the insurance company sponsoring the accompanying variable life insurance or variable annuity contract.

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DESCRIPTION OF THE TRUST

ORGANIZATION

Vanguard Variable Insurance Funds (hereinafter the Trust or the Fund) was organized as a Maryland corporation in 1989 before becoming a Pennsylvania business trust later in 1989, and was reorganized as a Delaware statutory trust on June 30, 1998. Prior to its reorganization as a Delaware statutory trust, the Fund was known by the same name as is currently used. The Fund is registered with the United States Securities and Exchange Commission (the SEC) under the Investment Company Act of 1940 (the 1940 Act) as an open-end management investment company. It currently offers the following portfolios:

Balanced Portfolio	International Portfolio
Capital Growth Portfolio	Mid-Cap Index Portfolio
Diversified Value Portfolio	Money Market Portfolio
Equity Income Portfolio	REIT Index Portfolio
Equity Index Portfolio	Short-Term Investment-Grade Portfolio*
Growth Portfolio	Small Company Growth Portfolio
High Yield Bond Portfolio	Total Bond Market Index Portfolio
	Total Stock Market Index Portfolio

(individually, a Portfolio; collectively, the Portfolios)

*Prior to August 19, 2004, the Short-Term Investment-Grade Portfolio was known as the Short-Term Corporate Portfolio.

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Each Portfolio offers only one class of shares (Investor Shares). Throughout this document, any references to "class" indicate how a Portfolio would operate if, in the future, the Portfolio issued more than one class of shares. The Fund has the ability to offer additional portfolios or classes of shares. There is no limit on the number of full and fractional shares that the Fund may issue for a single portfolio or class of shares.

Each Portfolio (except the Total Stock Market Index Portfolio) is registered as a diversified open-end management investment company. The Total Stock Market Index Portfolio is registered as a nondiversified open-end management investment

Gifford manages potential conflicts between funds or with other types of accounts through allocation policies and procedures, and internal review processes. Baillie Gifford has developed trade allocation procedures and controls to ensure that no one client, regardless of type, is intentionally favored at the expense of another. Allocation policies are designed to address potential conflicts in situations where two or more funds or accounts participate in investment decisions involving the same securities.

3. DESCRIPTION OF COMPENSATION

James Anderson is a Partner of Baillie Gifford. His remuneration comprises a base salary and a share of the partnership profits. The profit share is calculated as a percentage of total partnership profits based on seniority, role within Baillie Gifford, and length of service. The basis for the profit share is detailed in the Baillie Gifford Partnership Agreement. The main staff benefits, such as pension benefits, are not available to Partners, and therefore Partners provide for benefits from their own personal funds.

B. SCHRODERS

Each of Schroders and Schroder Investment Management North America Limited (Schroder Limited), 31 Gresham Street, London EC2V 7QA, England, is an indirect wholly-owned subsidiary of Schroders plc, the ultimate parent of a large world-wide group of financial service companies (referred to as "The Schroder Group") with subsidiaries and branches and representative offices located in 27 countries. Schroders plc is a publicly owned holding company organized under the laws of England. Schroders and its affiliates specialize in providing investment management services.

Schroders Sub-advisory Agreement

On behalf of the Fund, Schroders has entered into a sub-advisory agreement with Schroder Limited pursuant to which Schroder Limited has primary responsibility for choosing investments for the International Portfolio. Under the terms of the sub-advisory agreement with the Fund, Schroders pays Schroder Limited fees equal to 50% of the management fee payable to Schroders under its management contract with the Fund.

1. OTHER ACCOUNTS MANAGED

Virginie Maisonneuve jointly manages a portion of the International Portfolio; as of December 31, 2006, the Portfolio held assets of \$1.5 billion. As of December 31, 2006, Ms. Maisonneuve managed two other registered investment companies with total assets of \$10.1 billion (including one with total assets of \$10 billion where the advisory firm's fee was based on account performance) and four other accounts with total assets of \$2.5 billion.

Matthew Dobbs jointly manages a portion of the International Portfolio, which, as of December 31, 2006, held assets of \$1.5 billion. As of December 31, 2006, Mr. Dobbs managed three other registered investment companies with total assets of \$13 billion, including two with total assets of \$12.9 billion where the advisory firm's fee was based on account performance; six other pooled investment vehicles with total assets of \$1.8 billion, including one with total assets of \$399 million where the advisory firm's fee was based on account performance; and five other accounts with total assets of \$2.8 billion.

2. MATERIAL CONFLICTS OF INTEREST

Whenever a portfolio manager of the Portfolio manages other accounts, potential conflicts of interest exist, including potential conflicts between the investment strategy of the Portfolio and the investment strategy of the other accounts. For example, in certain instances, a portfolio manager may take conflicting positions in a particular security for different accounts, by selling a security for one account and continuing to hold it for another account. In addition, the fact that other accounts require the portfolio manager to devote less than all of his or her time to the Portfolio may be seen itself to constitute a conflict with the interest of the Portfolio.

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A portfolio manager may also execute transactions for another fund or account at the direction of such fund or account that may adversely impact the value of securities held by the Portfolio. Securities selected for funds or accounts other than the Portfolio may outperform the securities selected for the Portfolio. Finally, if a portfolio manager identifies a limited investment opportunity that may be suitable for more than one fund or other account, the

Portfolio may not be able to take full advantage of that opportunity due to an allocation of that opportunity across all eligible funds and accounts.

At Schroders, individual portfolio managers may manage multiple accounts for multiple clients. In addition to mutual funds, these other accounts may include separate accounts, collective trusts, or offshore funds. Certain of these accounts may pay a performance fee, and portfolio managers may have an incentive to allocate investment to these accounts.

Schroders manages potential conflicts between funds or with other types of accounts through allocation policies and procedures, internal review processes and oversight by directors. Schroders has developed trade allocation systems and controls to ensure that no one client, regardless of type, is intentionally favored at the expense of another. Allocation policies are designed to address potential conflicts in situations where two or more funds or accounts participate in investment decisions involving the same securities.

The structure of each portfolio manager's compensation may give rise to potential conflicts of interest. Each portfolio manager's base pay tends to increase with additional and more complex responsibilities that include increased assets under management, which indirectly links compensation to sales.

Schroders has adopted certain compliance procedures that are designed to address these, and other, types of conflicts. However, there is no guarantee that such procedures will detect each and every situation where a conflict arises.

3. DESCRIPTION OF COMPENSATION

Schroder's portfolio managers are paid in a combination of base salary and annual discretionary bonus, as well as the standard retirement, health, and welfare benefits available to all of our employees. Certain of the most senior managers also participate in a long-term incentive program.

Ms. Maisonneuve had a contractual total compensation package for the period ended October 31, 2006. Generally, portfolio managers employed by Schroders, including Mr. Dobbs, receive compensation based on the factors discussed below.

Base salary is determined by reference to the level of responsibility inherent in the role and the experience of the incumbent, and is benchmarked annually against market data to ensure that Schroders is paying competitively. The base salary is subject to an annual review, and will increase if market movements make this necessary and/or if there has been an increase in the employee's responsibilities. At more senior levels, base salaries tend to move less as the emphasis is increasingly on the discretionary bonus.

Discretionary bonuses for fund managers are determined by a number of factors. At a macro level the total amount available to spend is a function of the compensation to revenue ratio achieved by the firm globally. Schroders then assess the performance of the division and of the team to determine the share of the aggregate bonus pool that is spent in each area. This focus on "team" maintains consistency and minimizes internal competition that may be detrimental to the interests of our clients. For individual fund managers Schroders assess the performance of their funds relative to competitors and to the relevant benchmarks over one and three year periods, the level of funds under management and the level of performance fees generated. Schroders also reviews "softer" factors such as leadership, contribution to other parts of the business and adherence to our corporate values of excellence, integrity, teamwork, passion and innovation.

For those employees receiving significant bonuses, a part may be deferred in the form of Schroders plc stock. This vests over a period of three years and ensures that the interests of the employee are aligned with those of the shareholder, and that these key employees have an increasing incentive to remain with us as their store of unvested awards grows over time.

V. SMALL COMPANY GROWTH PORTFOLIO

The Fund has entered into investment advisory agreements with Granahan Investment Management, Inc. (Granahan) and Grantham, Mayo, Van Otterloo & Co. LLC (GMO) to manage the portion of the Small Company Growth Portfolio's assets (the advisor's portfolio) that the Fund's board of trustees determines to assign to the advisor. The Fund pays each advisor a basic fee at the end of each quarter, calculated by applying a quarterly rate, based on certain annual percentage rates, to the average daily net assets of the advisor's portfolio for the quarter. The basic fee will be increased or decreased by applying a

performance fee adjustment based on the investment performance of the advisor's portfolio

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relative to the investment performance of the Russell 2500 Growth Index (the Index). The investment performance of the advisor's portfolio will be based on its cumulative return over a trailing 36-month period ending with the applicable quarter, compared with the cumulative total return of the Index for the same period.

During the fiscal years ended December 31, 2004, 2005, and 2006, the Small Company Growth Portfolio incurred aggregate investment advisory fees of approximately \$1,139,000 (before a performance-based increase of \$260,000), \$1,211,000 (before a performance-based increase of \$155,000), and \$1,355,000 (before a performance-based decrease of \$307,000), respectively.

A. GRANAHAH

Granahan, a professional investment advisory firm founded in 1985, is a Massachusetts corporation.

1. OTHER ACCOUNTS MANAGED

John J. Granahan, Gary C. Hatton, Jane M. White, and Robert F. Granahan jointly manages a portion of the Small Company Growth Portfolio; as of December 31, 2006, the Portfolio held assets of \$823 million. As of December 31, 2006, the Portfolio's managers jointly managed one other registered investment company with total assets of \$2.5 billion for which the advisory firm's fee was based on account performance and one other pooled investment vehicle with total assets of \$8 million.

2. MATERIAL CONFLICTS OF INTEREST

Granahan manages long-only, small-cap client portfolios, in addition to the assets of the Small Company Growth Portfolio placed with the firm. The other portfolios invest in many of the same securities in which the Portfolio invests, which could lead to a conflict of interest when allocating purchases or sales across multiple client portfolios. In addition, the clients' portfolios vary in size and in fees, which creates a potential for conflict in managing these accounts side by side. The firm has policies and procedures in place designed to prevent favoritism toward any account(s) over others.

3. DESCRIPTION OF COMPENSATION

Compensation for portfolio managers at Granahan is made up of four components: (1) a base salary, (2) an individual performance bonus, (3) an investment-team performance bonus, and (4) profit sharing (either direct ownership or participation in the firm's profit sharing plan). In addition, all employees receive health and retirement benefits.

Base salary for portfolio managers depends on qualitative and quantitative factors such as: salary levels in the industry, experience, length of employment, and the nature and number of other duties for which (s)he has responsibility.

The individual performance bonus is based on a) the manager's performance over a one- and three-year period relative to the Russell 2000 Growth Index and a designated sector within the Russell 2000 Growth Index, b) the percentage of client assets under management, and c) the dollar contribution of their stocks' performance to all client portfolios.

Non-owner portfolio managers are also eligible for the annual investment-team bonus, which is based on the number of portfolio styles that beat their respective benchmarks in that year. All non-owner employees participate in the firm's profit sharing plan which is based primarily on the firm's profits in that year.

B. GMO

GMO is a privately held investment advisory firm founded in 1977. It provides investment counseling services to employee benefits plans, endowment funds, other institutions, and individuals.

1. OTHER ACCOUNTS MANAGED

Sam Wilderman is the Director of the Division and the senior member of the Division responsible for managing the implementation and monitoring the overall portfolio management of a portion of the Small Company Growth Portfolio; as of December 31, 2006, the Portfolio held assets of \$823 million. As of December 31, 2006, Mr. Wilderman managed 24 other registered investment companies with total

Tab 4

FINANCE CO OF PENNSYLVANIA

PUBLIC LEDGER BUILDING, SUITE 630
150 SOUTH INDEPENDENCE MALL WEST
PHILADELPHIA, PA 19106
215-351-4778

POS AMI

FORM N-1A, AMENDMENT NO. 31 THE FINANCE COMPANY OF PENNSYLVANIA
Filed on 04/27/2007
File Number 811-01144



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SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM N-1A
REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940
Amendment No. 31
File No. 811-1144
THE FINANCE COMPANY OF PENNSYLVANIA
150 S. Independence Mall West
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Philadelphia, Pennsylvania 19106
215-351-4778
Mr. Charles E. Mather III, President
150 S. Independence Mall West
Suite 630
Philadelphia, Pennsylvania 19106

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THE FINANCE COMPANY OF PENNSYLVANIA
FORM N-1A

The Finance Company of Pennsylvania (the "Company") does not sell its shares and thus, does not prepare a prospectus. The Company does, however, hold itself ready to redeem any of its outstanding shares at net asset value as determined on the day of final tender of the shares or on the next day on which the New York Stock Exchange is open.

PART A

- Item 1. Front and Back Cover Pages - NOT REQUIRED
- Item 2. Risk/Return Summary: Investments, Risks and Performance - NOT REQUIRED
- Item 3. Risk/Return Summary: Fee Table - NOT REQUIRED
- Item 4. Investment Objectives, Principal Investment Strategies and Related Risks

The business purposes of the Company, as set forth in its Articles of Incorporation, are to own, purchase and sell securities of business enterprises of any nature whatsoever; to own, hold, use, purchase and sell real and personal property of any nature whatsoever as principal and not as agent; and to carry on the business of an open-end investment company, as defined under the provisions of the Pennsylvania Business Corporation Law (as in effect on December 29, 1961). The Company's investment objective in carrying out its business as an investment company is to seek long-term appreciation of its shareholders' capital. Further reference is made to Item 11 of Part B of this Registration Statement for a description of its investment policies.

The Company invests primarily in common stocks and to a lesser extent fixed income securities. It also invests in U.S. Treasury notes and bills and registered money market funds as a liquidity technique to cover redemptions and as a temporary investment pending a decision to redeploy the proceeds of securities that were sold.

The authority to make, alter, amend or repeal these objectives is vested in the Board of Directors, subject to the power of the stockholders to approve such action. Item 11 of Part B identifies the investment policies of the Company which require stockholder approval to change.

The Board of Directors of the Company oversees the investment of its assets in order to preserve capital and produce income for the stockholders. The Board utilizes the services of Cooke & Bieler, L.P. to assist with the investment of a portion of its equity holdings. The Board does not rely on Cooke & Bieler with respect to several of the Company's holdings - PNC Bank Corp., Penn Virginia Corporation, Pennsylvania Warehousing and Safe Deposit Company, Exxon Mobil Corporation, fixed income securities, the international and small cap

mutual funds in which the Company invests and the money market funds, Treasury Notes and other short term investments used for the Company's liquidity needs, such as redemptions, dividends and taxes. Cooke & Bieler's style can be characterized as value oriented, and thus the overall approach of the Company to its equity portfolio may also be characterized as a value style. The Company has engaged the services of Schroder Investment Management North America Inc. to provide the day-to-day investment management of the portion of the Company's assets devoted to fixed-income investments.

Schroder's practices a duration-neutral, relative value fixed income discipline. Schroder's team focuses its efforts on identifying attractive issues from the bottom up, capitalizing on pricing inefficiencies identified through fundamental research. The Schroder team specifically avoids interest rate forecasting and sector rotation as, in Schroder's belief, these techniques add no long-term value and cause unnecessary principal risk.

The Company does not engage in active trading; on the contrary, it makes a value judgment on the worth of an organization and tends to hold the security for the long term. The Board considers its investment approach to be conservative, and thus the risks are those risks generally applicable to the equity and fixed income markets. It has limited (under 10% in the aggregate) exposure to international securities and small cap securities which may involve more risks than the broad market. Also, as explained in Item 11 of Part B, it has had a significant portion of its assets invested in PNC Bank Corp. and thus is subject to the risks inherent in investing in banking institutions and having a significant portion (approximately 29%) of assets committed to one security.

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Risks of Non-Diversification and Concentration in Banking Industry. The Company is subject to the risk of being concentrated. The Company has held shares of PNC Bank Corp. and its predecessors for over 40 years. Its holdings in PNC stock amount to approximately 29% of its portfolio. While the rest of its portfolio is diversified among various sectors, because of the concentration in PNC stock, the Company is subject to the risk that the banking industry and financial services sector generally will underperform the broader market, as well as the risk that issuers in that sector will be impacted by market conditions, legislative or regulatory changes or competition. The Company may also be more susceptible to changes in interest rates and other market and economic factors that affect financial services firms, including the effect of interest rate changes on the share prices of those financial service firms.

Equity Risk. Since it purchases primarily equity securities, the Company is subject to the risk that stock prices will fall over short or extended periods of time. Historically, the equity markets have moved in cycles, and the value of the Company's equity securities may fluctuate drastically from day-to-day. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of securities issued by such companies may suffer a decline in response. These factors contribute to price volatility which is a principal risk of owning shares in the Company.

Fixed Income Risk. The market value of fixed income investments change in response to economic developments, particularly interest rate changes, as well as to perceptions about the creditworthiness of individual issuers, including governments. During periods of falling interest rates, the values of outstanding fixed income securities generally rise. Moreover, while securities with longer maturities tend to produce higher yields, the prices of longer maturity securities are also subject to greater market fluctuations as a result of changes in interest rates. During periods of falling interest rates, certain debt obligations with high interest rates may be prepaid (or "called") by

December 29, 1961, it was engaged in the business of banking; it also held certain investments and parcels of real estate. On December 29, 1961, it filed Articles of Amendment with the Bureau of Corporations, Commonwealth of Pennsylvania, amending its charter to permit it to act as an open-end investment company; and on that date an agreement with the Secretary of Banking of the Commonwealth of Pennsylvania was entered into under which the Commonwealth recognized that the company was no longer engaged in the banking business.

Item 11.

Description of the Fund and Its Investments and Risks

- (a) Classification. The Company is a nondiversified, open-end management investment company.
- (b) Investment Strategies and Risks. None except as described in Item 4.
- (c) Policies. In addition to the investment objectives and policies set forth under Item 4 of Part A, the Company has adopted the following policies relating to the investment of its assets and its activities, which are fundamental policies and may not be changed without the approval of the holders of a majority of the Company's outstanding voting securities as defined in the Investment Company Act of 1940.

Fundamental Policies of the Company:

- i) The issuance of senior securities: the Company has not issued any senior securities, and it does not propose to issue any senior securities.
- ii) The borrowing of money: the Company has not borrowed money, and it does not propose to borrow money.
- iii) The underwriting of securities of other issuers: the Company has not underwritten securities of other issuers, and it does not propose to underwrite securities of other issuers.

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- iv) The concentration of investments in particular industries: Consistent with its policy to diversify its investments among various industries, the Company will nonetheless concentrate its investments in the banking industry. The Company has held shares of PNC Bank Corp. for many years but has no intention of increasing the number of shares it owns. Because of the growth in the market value of its PNC Bank stock relative to the market value of its other holdings, PNC Bank represented as of the end of its most recent year more than 25% of the assets in its portfolio. On this basis alone, the Company may be deemed to be concentrating in the banking industry. The Company may determine that attractive opportunities exist to purchase securities in other banking organizations. In no event, however, will the Company invest more than 50% of its assets at any time in the banking industry.
- v) The purchase and sale of real estate or commodities: the Company has neither purchased nor sold commodities, commodity contracts or real estate, nor does it propose to do so in the future.
- vi) Making loans: The Company does not make loans.
- vii) Other Policies: The Company reserves freedom of action to, and from time to time, may invest in any type of security or property whatever, to the extent permitted by law. It is the policy of the Company to